

**Committee of the Regions****ENVE-V-029****102nd plenary session, 3-4 July 2013****OPINION****SMART CITIES AND COMMUNITIES – EUROPEAN INNOVATION
PARTNERSHIP****THE COMMITTEE OF THE REGIONS**

- stresses that local authorities are not just facilitators for or customers of industry, but that their fundamental role as leaders and innovators also needs to be recognised;
- underlines that the industry-led approach envisaged by the Commission must be founded on well-defined citizen needs for which there is real evidence. Local authorities play a decisive role in identifying and highlighting the needs and expectations of local public and private stakeholders, such as business, academia, civil society and local residents. This critical relationship includes, consultations and effective mechanisms for local involvement, and should be given a prominent place;
- feels that the Commission needs to clarify the conditions for identifying and selecting ground-breaking innovative solutions and ensure that the process is open, transparent and preferably linked to a specific tender procedure, and that sufficient funding is made available;
- recommends that the Commission produce a user-friendly guide identifying all the European programmes and initiatives that provide funding for innovative projects that could be developed within the SCC framework, including initiatives such as the Green Digital Charter, the Covenant of Mayors, Civitas, Concerto, etc. as an informative overview of all programmes connected with smart cities and communities;
- would particularly like to stress that a key element in work on the SCC will be developing smart grids.

Rapporteur

Ilmar Reepalu (SE/PES), Member of Malmö Municipal Council

Reference document

Communication from the Commission on *Smart Cities and Communities – European Innovation Partnership*
C(2012) 4701 final

**Opinion of the Committee of the Regions
Smart Cities and Communities – European Innovation Partnership**

I. POLICY RECOMMENDATIONS

THE COMMITTEE OF THE REGIONS

General comments

1. notes that the Commission is taking the initiative, in its communication on *Smart Cities and Communities – European Innovation Partnership*, of launching a European innovation partnership to pool resources with a view to developing and disseminating, in urban areas, innovative technical solutions based on integrating energy, transport and information and communications technologies;
2. shares the Commission's view that developing the EU's cities into smart and sustainable environments – in social, economic and environmental terms – is one of the Union's biggest challenges. The CoR has a number of times emphasised the importance of effective measures and changes to support and develop efforts to create a sustainable society, which will entail an improvement in the urban environment, public health, and social wellbeing. At the same time, the Committee would stress that cities have close links, both economically, socially and environmentally, with their hinterlands and with rural areas, and that these links have an important role to play in the balanced and sustainable development of both urban and rural areas, as rural areas suffer air and water pollution coming from cities;
3. welcomes the Commission's initiative of launching an innovation partnership. It is encouraging that the Commission is using this initiative to highlight and acknowledge the vital role of cities and local authorities in the efforts of the EU as a whole to generate smart, sustainable and socially inclusive growth. It is important to stress that in many cases it is cities that are spearheading efforts to develop a sustainable society; these positive developments and the cities' high degree of ambition should be supported and encouraged in the EU's own work;
4. feels that one of the prerequisites for creating smart cities is application of the principles of systems integration and interoperability. The Committee therefore supports the Commission's use of integrated systemic solutions, and is convinced that such integrated solutions will deliver significant added value over sector-specific approaches. In other contexts, sector-specific projects and solutions may provide effective complementary measures and solutions;
5. would point out that the relative weight and importance of the three technology sectors covered by the Smart Cities and Communities partnership (SCC) may vary depending on how far the aim of a project is to develop innovative systemic solutions to meet identified needs.

The CoR also feels that it should be possible to include other areas that contribute to sustainable urban development – such as water, waste and air, strategic planning, and service innovations that stimulate people to use and develop new solutions – when developing and implementing projects and solutions, if they help to provide added value in terms of growth;

6. notes that the Commission proposes that the partnership should be led by industry in cooperation with cities. The initiative is therefore expected to facilitate market entry for ground-breaking innovative solutions based on integrating energy and transport technologies, assisted by information and communications technologies;
7. in this connection, wishes to highlight the central, and often decisive, role of local authorities in future work. Local authorities – both individually and in groups, and of any population size – must be given a central role in the strategies (e.g. the Strategic Implementation Plan) and projects developed and adopted within the SCC framework, and they should have the lead role in any decision involving local public resources;
8. stresses that local authorities are not just facilitators for or customers of industry, but that their fundamental role as leaders and innovators also needs to be recognised;
9. underlines that the industry-led approach envisaged by the Commission must be founded on well-defined citizen needs for which there is real evidence. Local authorities are the closest level to the public, and play a decisive role in identifying and highlighting the needs and expectations of local public and private stakeholders, such as business, academia, civil society and local residents. This critical relationship includes, for example, consultations and effective mechanisms for local involvement, and should be given a prominent place in this work. Such a system will promote solutions based on unique and specific demand from local authorities, local stakeholders and residents, and help to ensure that these solutions provide added value as an alternative to each sector developing its own solutions that risk being suboptimal;
10. welcomes the Commission's long-term goal for the SCC of developing and disseminating at least 20 ground-breaking innovative solutions that combine energy, transport and ICTs by 2020. The Committee would stress in this connection that it is vital to provide ample scope for innovative solutions to be replicated, adapted and implemented in a number of EU cities, and it appreciates the Commission's emphasis on the need for demand-side measures such as developing new business models. To achieve this, the Committee urges the Commission to require that one criterion for selecting projects be that the proposal demonstrate a strong link between the innovative groundbreaking solution and implementation and dissemination of results for application in regions and municipalities in different parts of Europe. Projects should prioritise fruitful synergies based on interconnections between actors as well as development and funding instruments. At the same time, cities should be helped to reduce their environmental impact by developing solutions which, through intensive use of ICTs, improve urban energy efficiency, promote the use of renewable energy sources and facilitate

mobility, bringing a significant reduction in emissions of CO₂ and other pollutant gases, as part of a sustainable urban model;

11. In addition to citizen involvement and consultation a key success factor for SCC is to undertake genuine community planning arrangements so that decisions are taken with the local authority involving all the concerned national or regional agencies, the voluntary sector and businesses operating in the local areas, highlighting the crucial role of energy services companies (ESCOs) when directly concerned with SCC purposes;
12. feels that the Commission needs to clarify the conditions for identifying and selecting groundbreaking innovative solutions. The Commission should ensure that the process is open, transparent and preferably linked to a specific tender procedure, and that sufficient funding is made available;
13. highlights the diversity of the EU's urban fabric. Some regions have a polycentric city structure, while others have one dominant city with a number of smaller adjacent towns. Regardless of their size, cities are centres for e.g. public and private services, as well as for knowledge creation, innovation and entrepreneurship; there are exceptional cases of regions with profound demographic and territorial imbalances, in which there is no network of cities to speak of. In such cases there may be local authorities comprising a number of communities that can be incorporated into the SCC partnership;
14. notes that, regardless of their size, cities are often confronted with similar challenges and need similar solutions for creating sustainable environments; believes that SCC partnerships should reflect this aspect and that, at the same time, it is important to develop innovative solutions that deliver economies of scale and have a real impact on cities and their residents;
15. wishes to recall that the inclusion of the term “and Communities” into the SCC name is precisely to highlight that the notion of cities or urban areas is a very fluid one in Europe. There are many cases in a significant number of Member States where Local Authorities are not designated cities but are by design so much larger and have much more significant resources and capacity than other municipalities commonly understood as cities in legal or geographic terms. Equally in many cases groups of local authorities can and do pool resources in common on a scale and scope that is more significant than cities; in such cases, which can also include metropolitan areas or urban agglomerations, the role of regional authorities can be crucial in coordinating and promoting integrated policies;

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16. welcomes the fact that the Seventh R&D Framework Programme for 2013 is designed such that additional resources are allocated to projects in line with the SCC;

17. considers it to be essential for sufficient resources to be earmarked at EU level as part of the forthcoming Horizon 2020, so that the SCC can contribute to the objectives set by the Commission;
18. stresses that the implementation of the SCC must not lead to reductions in funding from other programmes that support local authorities' efforts to create smart cities and communities, particularly as those programmes have proved very successful at local level. It would also be good for the Commission to specify the thematic areas and funding allocated under Horizon 2020;
19. notes that regional policy and the structural funds have had a positive impact on the implementation of strategies for smart cities and could play a key role in the development of the SCC. The proposals for refocusing cohesion policy from 2014 contain a clear urban dimension, including the earmarking of funding specifically for sustainable urban development within the regional fund. It is worth clarifying how this funding can contribute to the realisation of smart cities, in order to create synergies and help develop an integrated approach to urban development issues that also takes due account of the surrounding rural area;
20. recommends that the Commission produce a user-friendly guide identifying all the European programmes and initiatives that provide funding for innovative projects that could be developed within the SCC framework, including initiatives such as the Green Digital Charter, the Covenant of Mayors, Civitas, Concerto, etc. A guide of this kind would be very valuable for local authorities, industry and others, as it would give an informative overview of all programmes connected with smart cities and communities; it could, for example, be published on the homepage for the stakeholder platform;
21. stresses the importance of an integrated approach to the EU financial support for SCC and other sources of EU funding such as the European Structural Fund for Investment, Connecting Europe Facility and LIFE 2014-2020 in particular so that there is a clear continuity of support for SCC development avoiding unnecessary inconsistencies overlaps and duplication;
22. welcomes the Commission's recommendation that Member States should earmark funds to promote efforts to develop and disseminate innovative solutions as part of the SCC;
23. notes that lighthouse projects are an important element of the SCC; they comprise strategic partnerships between innovation-driven companies from the three sectors and strong local leaders and authorities;
24. points out in this connection that industry and cities have different roles and perspectives. A key task for industry is to develop technical specifications and solutions that can be replicated and disseminated to other cities. Local authorities, together with their residents, can bear

primary responsibility for identifying and communicating specific local needs and areas where technical solutions need to be developed to meet those needs. It is therefore very important for the design and management of projects to be based on needs and demand, considering added value in terms of technology and innovation;

25. sees lighthouse projects as a key ingredient of the SCC; given that local authorities are in the best position to determine cities' need for sustainable solutions, they should be given a central and leading role in consortia and lighthouse projects. This is not mentioned in the Commission's communication, and should be clarified in future work;
26. thinks that the roles of other stakeholders in consortia and projects must also be clearly defined so as to create good conditions and balance within the partnerships; feels that the structure of lighthouse projects and consortia should be established as part of the tender procedures, with a view to clarifying the structure of the consortia and the various stakeholders' roles in project development and making the SCC framework more transparent;
27. notes that the Commission states in its communication that it has opened the door to future regulation in this domain to support the commercial roll-out of future projects. While the Committee of the Regions does not wish to exclude such measures, it is important for any future rules to pay close attention to principles of proportionality and subsidiarity and to the need for solutions to be tailored to local conditions;
28. therefore feels that the Commission needs to clarify what future regulation it has in mind and provide examples of such regulation or relevant domains, as this would be valuable information for stakeholders involved in consortia and projects;
29. considers it important for relevant indicators to be associated with the activities in each project, corresponding to EU-level priorities and key challenges for energy, transport and ICT such as environmental performance, energy performance of cities, share of renewable energy sources in energy use, shared use of infrastructure, etc.;
30. reiterates that the situation in each city is unique, and would therefore stress that it is important for local authorities to be able to adapt the indicators to local circumstances. It is important for the detailed targets for the indicators to be defined by local authorities in cooperation with the industrial consortium. At the same time, it is important for the indicators to provide industry, including small and medium-sized enterprises (SMEs), with guidance in ensuring that overarching EU-level objectives and key challenges are met; in any event, the objectives will be set as part of the 20-20-20 strategy, drawn up by the European Union with a view to being achieved by 2020;
31. recommends that the Commission provide funding for the research and development work needed across Europe of regional innovation ecosystems. Smart cities experiments are needed linking the material and operational features of buildings and all infrastructure with diverse

types of development and services which the city and other operators produce and maintain. This regional ICT-assisted modelling is needed to provide a credible basis for lifecycle analyses of different investment, as well as for development of user-driven business activities, civic initiatives and decision-making;

32. welcomes the Commission's intention to base the monitoring system on existing methodologies such as those used in the Covenant of Mayors and the Green Digital Charter. It is also worth pointing out here that EU-level objectives represent a minimum standard, and that cities must be encouraged to set their sights higher and set an example in these areas;
33. endorses the Commission's call for experience and best practice to be shared at global level. Highlighting specific successful European examples on the global stage would benefit European industry, which would in turn further reinforce our work under the Europe 2020 strategy. The international cooperation objectives under the SCC should be supported with specific funding;
34. notes that the Commission gives several examples of cross-cutting themes on which projects could be based, such as smart buildings, smart supply and demand systems, sustainable urban mobility, and green IT. These themes are relevant, but the Committee would stress that the list is by no means exhaustive and that other relevant themes must also be eligible. For example, it is worth highlighting ICT as a basic precondition for the development of cost-effective and user-friendly e-services within all the areas covered by the initiative. Coordinating energy and waste management should also be included in the list of project themes;
35. would particularly like to stress that a key element in work on the SCC will be developing smart grids. The Committee refers in this connection to its recently adopted opinion on *Renewable energy: a major player in the European energy market*, and once again underlines how important the development of smart grids is expected to be;
36. points to the major challenges posed by the fact that renewable energy sources are connected to energy grids that are not designed for this type of energy source. Widespread use of renewables requires investment in improving grids, whose current state is hampering the growth of such energy. The development of smart grids plays an important role in this connection;
37. also notes that another area where smart grids have considerable potential is the storage of surplus energy, which can improve the balance between energy supply and demand. Smart grids, and associated technical applications that make it possible to compensate for fluctuations in energy production and demand and to even out energy flow, would bring significant economic progress, reduce costs for both producers and consumers, and make an important contribution to the development of smart urban environments;

38. nonetheless points out that smart, sustainable urban environments cannot be developed simply using technical systems and applications, but that technical developments must go hand in hand with efforts to change people's and companies' energy consumption patterns;
39. notes that many European cities have an urban fabric that contains major disparities with regard to energy efficiency. Developing sustainable urban environments requires specific efforts to renovate buildings, using the relevant financial instruments, and reserving a key role for renewable energies;

Governance of Smart Cities and Communities

40. believes that the SCC needs an effective and appropriate, but also simple and transparent, governance structure if it is to achieve its purpose, but feels that the Commission has not adequately addressed the decisive role that local authorities of every demographic size need to have in the governance structure. It must be ensured that local authorities have relevant opportunities for influence and participation at all levels, in both the high-level group and stakeholder platform, and also in the working groups to be set up later;
41. feels that the Commission should clarify the basis and process for appointing members of the high-level group. The procedure should ensure that local authorities are adequately represented;
42. also sees it as important for local authorities to have the opportunity to be properly represented in the various groups within the stakeholder platform – such as the roadmap group – in order to ensure that the local perspective is given sufficient prominence;
43. calls for strong local authority involvement in governance, in order to ensure that the projects and solutions developed are based on strong demand from the cities and their residents. As noted above, local authorities have the best understanding of their residents' needs and also of their cities' own complex systems; if these essential competences and understanding are missing from the governance system, there is a risk that the work will result in suboptimal outcomes;
44. calls for the governance structure to include monitoring and supervision mechanisms to ensure that all available funding is used effectively and in line with the SCC's aims. This monitoring and supervision must be transparent and the stakeholders must be familiar with it;
45. considers it to be very important for all the relevant information about the SCC initiative to be effectively communicated and made available to all relevant stakeholders, so as to make it easier for pioneering project ideas to be gathered, discussed and used as the basis for projects. The Commission has an essential role to play here, but local authorities' own efforts are also very important, not least because they are the most familiar with the local economy and industry. Networks of various kinds at EU, national, regional and local level may also have an

important role to play here; equally, we should not forget the importance of a system of multilevel governance in which each tier of government contributes to the development of projects in line with its own powers and resources;

46. stresses that operating procedures, meetings, document processing etc. must be efficient, so that they encourage rather than hinder the work of all stakeholders. Operating procedures should be clearly defined in all working groups.

Brussels, 4 July 2013

The President
of the Committee of the Regions

Ramón Luis Valcárcel Siso

The Secretary-General
of the Committee of the Regions

Gerhard Stahl

II. PROCEDURE

Title	Communication from the Commission on "Smart Cities and Communities – European Innovation Partnership"
Reference(s)	C(2012) 4701 final
Legal basis	Optional referral
Procedural basis	
Date of Commission letter	25 January 2013
Date of Bureau/President's decision	18 January 2013
Commission responsible	Commission for the Environment, Climate Change and Energy (ENVE)
Date adopted by commission	24 April 2013
Result of the vote in commission	Adopted by a majority
Date adopted in plenary	3-4 July 2013
Previous Committee opinions	
Date of subsidiarity monitoring consultation	Not applicable